

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1492-01
Bill No.: HB 720
Subject: Children and Minors; Revenue Department; Taxation and Revenue - Income
Type: Original
Date: April 19, 2013

Bill Summary: Would create an income tax dependency exemption for stillborn children.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Less than \$36,000)	(Less than \$36,000)	(Less than \$36,000)
Total Estimated Net Effect on General Revenue Fund	(Less than \$36,000)	(Less than \$36,000)	(Less than \$36,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 143.161.3, RSMo. - Dependency exemption for stillborn child

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated the proposal would create a single-year dependency exemption for taxpayers with a stillborn child. According to data previously supplied to BAP by DHSS, there are an estimated 500 stillbirths annually in Missouri. The current dependency exemption is \$1,200; therefore \$600,000 could be exempted. At the highest marginal tax rate of 6%, General and Total State Revenues could be reduced by \$36,000 annually.

Officials from the **Department of Revenue (DOR)** noted this proposal would, if implemented, allow a dependency exemption in the year in which the stillbirth occurred, if the child would have been a member of the taxpayer's household. The proposal would be effective beginning January 1, 2013.

DOR officials stated the Department would need to make forms changes, and the Department and OA - ITSD (DOR) would need to make changes to various tax processing systems.

Administrative impact

DOR officials did not provide an estimate of cost to implement this proposal, and **Oversight** assumes DOR could implement the proposal with existing resources.

Fiscal impact

DOR officials assume this proposal would reduce Total State Revenues.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT impact to implement the proposal of \$13,633 based on 504 hours of programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight also assumes OA - ITSD (DOR) could absorb the costs related to this proposal with existing resources. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the budget process.

Officials from the **Office of the Secretary of State** and the **Department of Health and Senior Services (DOHSS)** assume this proposal would have no fiscal impact to their organizations.

DOHSS officials told us the number of stillbirths for 2012 was not available but there were 392 stillbirths in 2011, 402 stillbirths in 2010, and 435 stillbirths in 2009.

Oversight assumes the number of stillbirths would not exceed the BAP estimate of 500 per year; therefore, the fiscal impact of this proposal would be less than \$36,000 per year. Oversight notes the actual number of stillbirths could fluctuate from year to year.

Oversight also assumes the additional dependency exemptions would first be reflected in 2013 tax returns filed beginning January 1, 2014 (FY 2014).

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Dependency exemption for stillborn child Section 143.161.3	(Less than <u>\$36,000</u>)	(Less than <u>\$36,000</u>)	(Less than <u>\$36,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Less than <u>\$36,000</u>)	(Less than <u>\$36,000</u>)	(Less than <u>\$36,000</u>)
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation would authorize an income tax dependency exemption for stillborn children.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Health and Senior Services
Department of Revenue
Department of Social Services



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Acting Director
April 19, 2013